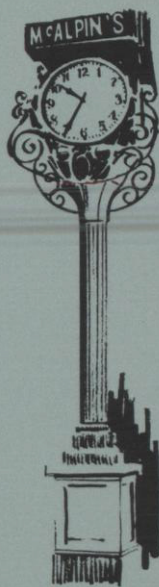


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MERCANTILE STORES COMPANY, INC.

1969
Annual Report
for the year ended
January 31, 1970



*Meeting under the
clock at McAlpin's—
a tradition for
over 100 years.*

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Annual Meeting

The Annual Meeting of Stockholders will be held at 11:00 a.m., on Wednesday, May 20, 1970 at 100 West 10th Street, Wilmington, Delaware. All stockholders are cordially invited to attend.

MERCANTILE STORES COMPANY, INC.

A Delaware Corporation — Incorporated 1919

Directors

JOHN E. BIERWIRTH
*Chairman and a director of
National Distillers and Chemical Corporation*

F. K. BRADLEY
*Vice-Chairman of the Board
Mercantile Stores Company, Inc.*

MORGAN A. CASEY
*Vice-President
Mercantile Stores Company, Inc.*

ASHTON HAWKINS
*Secretary
Mercantile Stores Company, Inc.*

HAROLD W. JOCKERS
*Chairman of the Board
Mercantile Stores Company, Inc.*

F. G. KINGSLEY
*Vice-President and a director of
Deering Milliken, Inc.*

GERRISH H. MILLIKEN, JR.
*Vice-President and a director of
Deering Milliken, Inc.*

MINOT K. MILLIKEN
*Vice-President, treasurer and a
director of Deering Milliken, Inc.*

ROGER MILLIKEN
*President and a director of
Deering Milliken, Inc.*

GEORGE S. MOORE
*Chairman and a director of
First National City Bank, New York*

G. BURTON PEARSON, JR.
*Senior Vice-President and a director
of Wilmington Trust Company,
Wilmington, Delaware*

R. NELSON SHAW
*President
Mercantile Stores Company, Inc.*

CHARLES E. STALLINGS
*Vice-President
Mercantile Stores Company, Inc.*

RALPH S. STILLMAN
*Chairman of the executive committee
and a director of Marine Midland
Grace Trust Company of New York*

Officers

HAROLD W. JOCKERS
Chairman of the Board

R. NELSON SHAW
President

F. G. KINGSLEY
Chairman of the Executive Committee

F. K. BRADLEY
Vice-Chairman of the Board

FREDERICK W. BLECKWENN
Vice-President

MORGAN A. CASEY
Vice-President

RONALD W. FERGUSON
Vice-President

EDWARD J. SHARKEY
Vice-President

CHARLES E. STALLINGS
Vice-President

WILLIAM G. STUBENVOLL
Vice-President

LEON F. WINBIGLER
Vice-President

WILLIAM A. HEINEMAN
Treasurer

R. S. KIZER
Controller

ASHTON HAWKINS
Secretary

FINANCIAL HIGHLIGHTS IN BRIEF

	1969 (Year Ended Jan. 31, 1970)	1968 (Year Ended Jan. 31, 1969)
Operating Results		
Net Sales	\$318,353,139	\$285,584,555
Sales increase percentage	11.5%	11.3%
Income before Federal income taxes.....	28,321,843	23,766,051
Percent to sales	8.9%	8.3%
Net income	13,561,843	11,351,051
Percent to sales	4.3%	4.0%
Per Common Share		
Net income	4.60	3.85
Dividends	1.40	1.40
Cash Flow	6.26	5.46
Financial Position		
Working Capital	\$ 57,617,219	\$ 52,878,593
Ratio of current assets to current liabilities	2.76	2.67
Receivables — Net	26,839,034	29,263,337
Merchandise Inventories	50,320,729	46,017,007
Property and Equipment — Net	56,500,709	53,143,218
Total assets	146,908,228	137,731,638
Long term debt	14,101,670	15,731,451
Stockholders' equity	97,334,258	87,899,360
Per Common Share	33.02	29.82
Ratio of net income to invested capital.....	13.9%	12.9%
Stores (at end of year)		
Number	62	61
Total square feet	5,134,000	5,005,000

MERCANTILE STORES COMPANY, INC.

100 West 10th Street • Wilmington, Delaware

April 14, 1970

To Our Stockholders:

Your Company entered into its Sixth Decade on a note of gratifying progress.

Records continued to be set in:

Sales

Increased by 11.5% to a total in excess of \$318,000,000.

Net Earnings

Reached a new high of \$13,562,000, an increase of 19% over last year's record. Per share earnings rose to \$4.60 from the prior year's high of \$3.85.

As your Company continued to show the improvement in sales and earnings that it has experienced over the past five or six years, it has been asked again and again to explain the reasons for its growth. We have, of course, emphasized:

- the spirit and dedication of our people in meeting challenges
- the flow of young executive talent
- that we are pacesetters in fashion
- that we stress customer service.

We are building a unique business. We are engaged in retailing in the middle sized cities of this country and we believe that we have

developed the "know how" required to operate moderate sized stores in these areas.

We appeal to a broad spectrum. As the years have gone by, we have learned about the kind of store we can best operate and which appeals to our customers. We plan to continue to put all our emphasis on this type of store.

While each store, because of its autonomous management, is sensitive to local conditions, we perform many functions centrally that enable us to do a better job for the communities we serve.

Throughout the pages of this report our emphasis is on our McAlpin store in Cincinnati, Ohio. The comments made about this remarkable operation are not exclusive to McAlpin's. We can say many of the same things and show similarly attractive pictures of our other stores, all well-established, some operating for over 100 years, with names that have become household words in their cities, managed by merchants of outstanding capability and leadership.

As we look forward, we believe that our kind of store can master the great challenges that lie before us.

We have devoted this letter to the matter that concerns us most—your Company. As merchandisers, we do not hold ourselves up as prophets so we are not going to make any forecast as to economic conditions—important as they are to all of us—except to say that your Company will prosper to the same extent that any good retailer will.

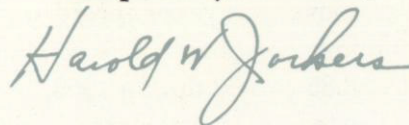
We do want to take this opportunity to point out that later in the Financial and Operating Review we detail a rather substantial expansion program. We believe that such expansion is required and that a stronger and more prosperous Company will result. We will continue to follow the practice of immediately charging off to expense all those items which can be so properly charged un-

der conservative accounting principles. We are opening four new stores this year. Our experience indicates that expenses connected with the openings will have some adverse effect on our earnings in 1970. Our 1969 results were not affected in this manner since we opened only one new store.

Our present trend, although inconclusive, would indicate that earnings for the first quarter this year may be lower than for the same quarter last year.

Elsewhere, we emphasize that retailing is people-oriented. Therefore, we cannot close this letter without expressing our thanks to our employees, our suppliers and our customers.

Respectfully submitted,



Chairman of the Board



President

By Order of The Board of Directors

Financial and Operating Review

Sales

Sales for the year ended January 31, 1970 were \$318,353,139, an increase of 11.5% over the level for the previous year and an all-time high in the history of the Company. Sales have shown *an increase* each year for the past 15 consecutive years.

Total sales from all units open for at least two fiscal years showed a gain of 10%.

As the Company continues its vigorous suburban expansion, sales from such units constitute an ever growing segment, representing 66% of total sales during this latest year.

Earnings

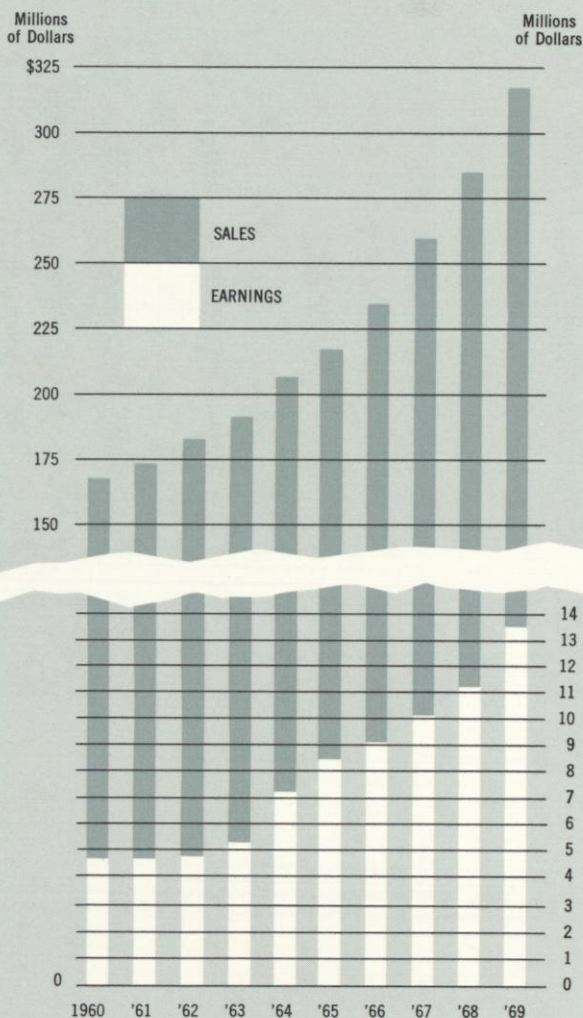
Net income for the year reached \$13,561,843, 19% above last year's record of \$11,351,051. Earnings per share increased to \$4.60 from the \$3.85 earned during 1968.

The federal tax surcharge reduced per share earnings 43¢ for 1969 and 40¢ for 1968. The tax surcharge will expire on June 30, 1970.

The investment tax credit realized during the year was \$215,781 or 7¢ per share compared with the \$283,390 or 10¢ per share reflected in 1968.

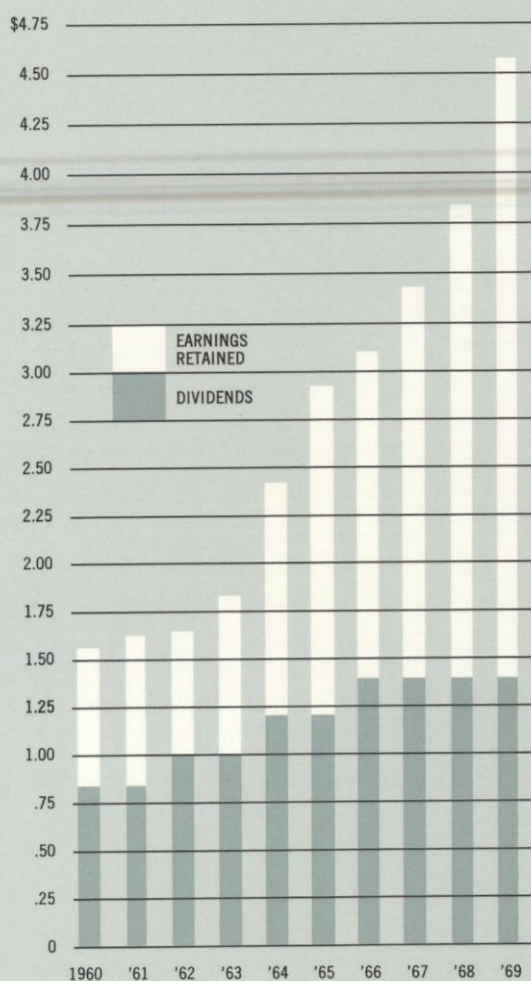
In determining net earnings, your Company has heretofore considered state income taxes in the same manner as federal income taxes. Consequently, they were combined with federal income taxes and deducted from pre-tax earnings to arrive at net earnings. We are dis-

NET SALES AND NET EARNINGS*



* NOT INCLUDING EXTRAORDINARY ITEMS.

EARNINGS, DIVIDENDS AND RETAINED EARNINGS PER SHARE OF STOCK



continuing that practice. For the year under review as well as the prior year (which is being restated) state income taxes will be treated in the same manner as other expenses. This change in procedure will necessarily lower pre-tax earnings, but will have no effect on net earnings.

On the new basis, pre-tax earnings as a percent of sales for 1969 were 8.9% while for the prior year it was 8.3% (before the restatement, it was shown as 8.5%).

Dividends

Your Company continued the dividend rate at \$1.40 per share for the year.

As we commented in the last report, we feel that the best interests of the stockholders will be served in this time of tight money and high interest rates by conserving cash for the substantial capital improvement program which is described later under Expansion.

The dividend payment, at the quarterly rate of 35¢ per share, aggregated \$4,126,945 and was the 30th consecutive year in which such payments have been made without reduction.

Additions And Improvements To Property And Equipment

The level of spending for capital improvements fell a little during 1969 from the high of \$8,624,685 in 1968 to \$7,970,181.

While construction of new units planned for 1970 is now well underway and openings will be on schedule, initial delays have resulted in less money being spent during 1969.

Expenditures for 1970 for completion of the units opening that year, as well as for the units planned for 1971, should push capital expenditures to \$14,000,000 in 1970 and even higher in 1971.

Depreciation (on a straight line basis for book purposes) was \$4,612,690, an increase of \$286,904 over the preceding year.

Repairs and maintenance expenses, which are charged against current operations, totaled \$1,448,355.

Debt

No additional long term debt was incurred by your Company during 1969 except for a small mortgage of \$116,250. Long term debt at year end amounted to \$14,101,670, which was \$1,629,781 less than a year ago.

We did borrow \$2,000,000 under a Credit Agreement in effect with First National City Bank which permitted us to borrow \$25,000,000 during a three year period ending January 31, 1971, but this amount was repaid in December, 1969.

First National City Bank has agreed to a revised Credit Agreement which will extend the take-down period to January 31, 1973 and will increase the commitment from \$25,000,000 to \$40,000,000.

Leases

At year-end, we had in effect 79 leases maturing after January 31, 1973, with annual minimum rentals of \$3,157,768. Certain leases, in addition, require us to pay real estate and personal property taxes, other expenses, as well as additional rentals based on increased sales.

A summary of such lease commitments is as follows:

Expiring During Fiscal Years Ending January 31	Number of Leases	Minimum Annual Rent
1974-76	21	\$ 284,694
1977-81	22	645,038
1982-86	9	424,477
After 1986	27	1,803,559
	<u>79</u>	<u>\$3,157,768</u>

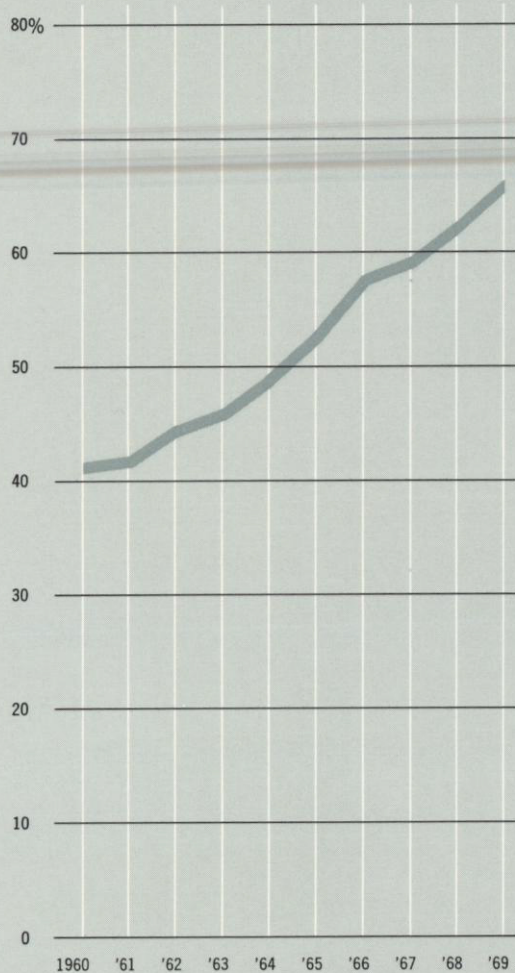
Expansion

We opened one new unit of 90,000 square feet in Tuscaloosa, Alabama during 1969.

The pace of expansion during 1968 and 1969 was much less than that preferred by your management, but many factors beyond our control resulted in certain projects being delayed.

Your Company does have a substantial program for the next four or five years during which we intend to add about 2,500,000 square feet which will increase our present space by 50%.

**SUBURBAN STORE SALES
% OF TOTAL SALES**



During 1970 we will open four units. They will be:

Location	Square Footage
Columbia, South Carolina	135,000
Tallahassee, Florida	90,000
Terre Haute, Indiana	150,000
Jackson, Mississippi	155,000
	<u>530,000</u>

In fact, the Columbia unit opened February 26, 1970 and the Tallahassee store on March 26, 1970.

We now have two units in Columbia operating under the name "White's".

Tallahassee represents a new area for us, about 175 miles from our nearest store in Pensacola, Florida and 240 miles from its division headquarters in Mobile, Alabama, which operates under the "Gayfer" name.

The tempo of expansion set in 1970 will continue into 1971 with plans definitely set to open three new units, one each in Nashville, Tennessee; Pensacola, Florida; and Aurora, Colorado. It is possible that one or two additional stores will be opened in 1971 if present negotiations for such additional sites can be brought to a successful conclusion in the near future. None of the new units planned for 1971 will be less than 130,000 square feet.

We are also drawing up plans to add a second floor to one of our units in Augusta, Georgia.

At the end of the year under review, your Company had approximately 5,100,000 square feet of space in store buildings, excluding warehouse facilities, which comprised 17 divisions operating 58 stores in the United States and one division with 4 stores in the Province of Ontario, Canada.

Net Current Assets

Year-end net current assets (current assets less current liabilities) were \$57,617,219, higher by \$4,738,626 than last year. The year-end ratio of current assets to current liabilities was 2.76 to 1, compared to 2.67 to 1 at the close of the previous year.

While total credit sales increased to \$149,000,000, they only constituted 46.8% of total sales, a drop of 1.3% from 1968. The thirty day and revolving charge accounts make up 83% of all credit sales. Our bad debt experience has been well under 1%. It might be well to point out that, for book purposes, we maintain a bad debt reserve equal to 5.5% of our total outstanding receivables.

Inventories increased by \$4,303,722. Management is of the opinion that inventories at year-end were well balanced. We made every effort during the year to take markdowns on slow moving stock. Shrinkage during the year showed an increase over the previous year. Although steps have been taken to further

control such losses, your Company's shrinkage history has been so exceptionally low that some deterioration was expected.

Pension And Profit Sharing Plans

During the year under review, your Company contributed \$1,233,132 towards pension costs and \$1,302,465 for the Savings and Profit Sharing Plan. Pension costs are funded currently.

All regular employees who complete two years of service and have reached the age of 25 are eligible to participate in both plans.

The market value of the pension fund managed by the Trustee, First National City Bank, was \$7,889,818 while the funds on deposit with Chemical Bank, Trustee of the profit sharing plan, were valued at \$25,517,282.

The Company pays the entire cost of the Pension Plan.

The participants contribute 2, 4, 6, 8 or 10% of their earnings to the profit sharing plan which funds are invested in equity and fixed income securities. During the year under review, \$1,978,799 was so contributed. The Company's contribution is divided among the participants based upon their contribution up to 6% of their earnings. This year, each participant received 80¢ for each \$1.00 contributed.

PERCENTAGE OF PRE-TAX PROFIT TO SALES AND RETURN ON EQUITY



Cash Flow

Cash flow increased by \$2,372,696 to a new high of \$18,465,533 which on a per share basis amounted to \$6.26.

Cash flow is made up of the following items:

Net Income	\$13,561,843
Depreciation	4,612,690
Deferred Income Tax	291,000
	<u>\$18,465,533</u>

Cash flow is a factor to be used in judging a company's ability to pay dividends, meet debt requirements and finance expansion.

Stockholders' Equity

As stockholders, your ownership in the net assets of the Company totaled \$97,334,258 which, when divided by the number of shares outstanding, resulted in a book value of \$33.02 for each share of stock.

The ownership of the stockholders has not been diluted by the issuance of additional stock for any purpose. When the stock was split in prior years, the additional shares were issued to stockholders of record at the time of the split, resulting in no change of ownership.

Financial Statements

Accountants' Report

To the Board of Directors and Stockholders of
Mercantile Stores Company, Inc.:

We have examined the consolidated balance sheets of Mercantile Stores Company, Inc. (a Delaware corporation) and subsidiary companies as of January 31, 1970 and 1969, and the related statements of consolidated income, earnings retained for use in the business (earned surplus) and source and disposition of funds for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements referred to above present fairly the financial position of Mercantile Stores Company, Inc. and subsidiary companies as of January 31, 1970 and 1969, and the results of their operations and the source and disposition of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co.

New York, N. Y.,
March 27, 1970.

MERCANTILE STORES COMPANY, INC.

and Subsidiary Companies

Statements of Consolidated Income

For the Years Ended January 31, 1970 and 1969

	Fiscal Year Ended	
	January 31, 1970	January 31, 1969
Net Sales	<u>\$318,353,139</u>	<u>\$285,584,555</u>
Deduct:		
Cost of goods sold and expenses, exclusive of items listed below	269,136,168	243,299,518
Taxes other than Federal income taxes	5,880,248	5,057,150
Depreciation and amortization	4,612,690	4,325,786
Rentals — See comments on page 7	3,914,817	3,691,811
Pension and profit sharing expense — See comments on page 9 ..	2,535,597	2,148,718
Interest expense	2,503,421	2,206,528
Maintenance and repairs	1,448,355	1,088,993
	<u>290,031,296</u>	<u>261,818,504</u>
Income Before Federal Income Taxes	<u>28,321,843</u>	<u>23,766,051</u>
Federal income taxes	14,760,000	12,415,000
Net Income	<u>\$ 13,561,843</u>	<u>\$ 11,351,051</u>
Earnings Per Share	<u>\$4.60</u>	<u>\$3.85</u>

In the annual reports to the Securities and Exchange Commission, the cost of goods sold, central buying and occupancy expenses are \$218,513,200 and \$197,831,452 respectively, for the years ended January 31, 1970 and 1969, and selling, general and administrative expenses are \$69,657,844 and \$62,104,081, respectively.

Statements of Consolidated Earnings
Retained For Use in the Business (Earned Surplus)
For the Years Ended January 31, 1970 and 1969

	Fiscal Year Ended	
	January 31, 1970	January 31, 1969
Balance, beginning of year.....	\$76,349,945	\$69,125,839
Net income	13,561,843	11,351,051
	<u>89,911,788</u>	<u>80,476,890</u>
Dividends:		
\$1.40 per share, paid in each year.....	4,126,945	4,126,945
Balance, end of year.....	<u>\$85,784,843</u>	<u>\$76,349,945</u>

Statements of Consolidated Source
and Disposition of Funds
For the Years Ended January 31, 1970 and 1969

Source of funds:

Net income for the year.....	\$13,561,843	\$11,351,051
Depreciation and amortization.....	4,612,690	4,325,786
Increase in deferred Federal income taxes.....	291,000	416,000
Funds provided from operations.....	18,465,533	16,092,837
Mortgage loan borrowing	116,250	4,429,966
	<u>18,581,783</u>	<u>20,522,803</u>

Disposition of funds:

Dividends declared	4,126,945	4,126,945
Additions to property and equipment.....	7,970,181	8,624,685
Reduction in long-term debt.....	1,746,031	2,224,611
	<u>13,843,157</u>	<u>14,976,241</u>

Increase in Working Capital.....	4,738,626	5,546,562
Working Capital at Beginning of Year.....	52,878,593	47,332,031
Working Capital at End of Year.....	<u>\$57,617,219</u>	<u>\$52,878,593</u>

MERCANTILE STORES COMPANY, INC.

and Subsidiary Companies

Consolidated Balance Sheets—January 31, 1970 and 1969

	January 31	
	1970	1969
Assets		
Current Assets:		
Cash	\$ 11,153,642	\$ 7,746,653
Accounts receivable—		
Customers accounts—		
Regular retail accounts.....	9,294,241	9,540,533
Installment accounts not sold.....	949,773	905,108
Equity in accounts sold (the uncollected balances of which amounted to \$34,414,567 and \$31,663,410, respectively) ..	17,446,940	19,311,522
Other accounts	1,607,754	1,824,603
	29,298,708	31,581,766
Less — Reserve for doubtful accounts.....	2,459,674	2,318,429
	26,839,034	29,263,337
Merchandise inventories, priced at the lower of cost or market determined by the retail inventory method.....	50,320,729	46,017,007
U. S. Government and other marketable securities, at cost, approximately equal to market.....	1,274,794	792,207
Unexpired insurance, prepaid rent, etc.....	819,320	769,216
Total current assets.....	90,407,519	84,588,420
Property and Equipment, at cost:		
Land	10,775,544	10,414,533
Buildings and building improvements.....	47,025,855	43,763,082
Less — Accumulated depreciation.....	(20,654,157)	(19,160,972)
Store fixtures, etc.	33,431,998	30,331,197
Less — Accumulated depreciation.....	(14,078,531)	(12,204,622)
	56,500,709	53,143,218
	\$146,908,228	\$137,731,638

	January 31	
	1970	1969
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 18,658,940	\$ 16,649,753
Accrued taxes (other than Federal income), compensation, rent, etc.	9,466,380	8,462,520
Reserve for Federal income taxes.....	2,948,472	4,946,207
Current maturities of long-term debt.....	1,716,508	1,651,347
Total current liabilities.....	32,790,300	31,709,827
Long-Term Debt:		
5 $\frac{1}{2}$ % notes payable to an insurance company, \$333,000 due annu- ally to 1977, \$2,500,000 due December 1, 1978.....	4,836,000	5,169,000
Mortgage notes payable, due in installments over the life of each mortgage, most of which are twenty-year mortgages....	9,265,670	10,562,451
	14,101,670	15,731,451
Deferred Federal Income Taxes	2,682,000	2,391,000
Lease Obligations — See comments on page 7.		
Stockholders' Equity:		
Common stock, par value \$1.83 $\frac{1}{2}$ per share—Authorized and issued 2,950,998 shares.....	5,410,163	5,410,163
Less — 3,180 shares held in treasury.....	5,830	5,830
Outstanding 2,947,818 shares.....	5,404,333	5,404,333
Capital surplus	6,145,082	6,145,082
Earnings retained for use in the business (earned surplus) — \$64,230,000 restricted at January 31, 1970, as to payment of cash dividends under terms of insurance company loan agree- ment	85,784,843	76,349,945
	97,334,258	87,899,360
	<u>\$146,908,228</u>	<u>\$137,731,638</u>

MERCANTILE STORES COMPANY, INC.

and Subsidiary Companies

Ten-Year Review

	Year ended January 31	1970	1969	1968
Operating Results				
Net sales		\$318,353,139	\$285,584,555	\$256,549,686
Income before Federal income taxes.....		28,321,843	23,766,051	18,730,608
Percent to sales.....		8.9	8.3	7.3
Net income		13,561,843	11,351,051	10,181,608*
Percent to sales.....		4.3	4.0	4.0
Dividends paid		4,126,945	4,126,945	4,126,945
Per Common Share				
Net income	\$	4.60	\$ 3.85	\$ 3.45*
Dividends		1.40	1.40	1.40
Cash Flow		6.26	5.46	5.39
Financial Position				
Working capital	\$	57,617,219	\$ 52,878,593	\$ 47,332,031
Ratio of current assets to current liabilities		2.76	2.67	2.84
Receivables — net		26,839,034	29,263,337	20,621,285
Merchandise inventories		50,320,729	46,017,007	39,756,641
Property and equipment — net.....		56,500,709	53,143,218	48,844,319
Total assets		146,908,228	137,731,638	121,915,321
Long term debt		14,101,670	15,731,451	13,526,096
Earnings retained in the business.....		85,784,843	76,349,945	69,125,839
Stockholders' equity		97,334,258	87,899,360	80,675,254
Per common share.....		33.02	29.82	27.37
Number of shares outstanding		2,947,818	2,947,818	2,947,818
Stores at end of year				
Number		62	61	61
Total square feet		5,134,000	5,005,000	4,942,000

* In addition to earnings shown above for the year ended January 31, 1968, an extraordinary gain on the sale of an investment was realized in the net amount of \$1,387,005, or 47¢ per share.

1967	1966	1965	1964	1963	1962	1961
\$234,267,366	\$220,610,170	\$207,260,905	\$192,408,732	\$183,840,305	\$175,820,970	\$170,247,354
17,046,175	16,265,344	13,979,235	10,923,157	10,104,664	9,893,278	9,487,412
7.3	7.4	6.7	5.7	5.5	5.6	5.6
9,074,175	8,600,344	7,132,235	5,370,157	4,887,664	4,818,178	4,658,412
3.9	3.9	3.4	2.8	2.7	2.7	2.7
4,126,945	3,537,382	3,537,382	2,947,818	2,947,818	2,431,950	2,431,950
\$ 3.08	\$ 2.92	\$ 2.42	\$ 1.82	\$ 1.66	\$ 1.63	\$ 1.58
1.40	1.20	1.20	1.00	1.00	.82½	.82½
4.30	4.06	3.61	2.97	2.74	2.67	2.57
\$ 44,768,499	\$ 42,075,189	\$ 39,567,014	\$ 37,533,095	\$ 37,290,759	\$ 35,297,601	\$ 34,538,888
2.83	2.57	2.67	2.58	2.30	2.93	3.13
22,156,043	24,700,517	21,846,927	20,556,089	27,225,565	15,778,321	15,120,028
33,324,842	32,178,978	30,124,294	29,665,608	28,926,550	27,070,761	26,087,816
44,681,549	42,556,124	41,239,303	40,881,816	39,765,753	38,020,878	36,873,849
113,954,714	111,392,761	104,446,672	102,129,106	105,641,665	91,616,657	87,627,136
14,572,462	15,857,693	16,176,923	17,407,370	18,616,310	17,080,123	17,850,609
61,684,171	55,705,205	51,673,979	48,079,126	45,656,787	43,716,941	41,330,713
73,233,586	67,254,620	63,223,394	59,628,541	57,206,202	55,266,356	52,880,128
24.84	22.82	21.45	20.23	19.41	18.75	17.94
2,947,818	2,947,818	2,947,818	2,947,818	2,947,818	2,947,818	2,947,818
60	58	60	61	61	61	58
4,630,000	4,427,000	4,447,000	4,150,000	4,113,000	3,936,000	3,924,000

McAlpin's

Serving the Queen City—Cincinnati



George Washington McAlpin, born on the 4th of July, 1827, founded McAlpin's at the youthful age of 25. By the time he was 16, he had breezed through Woodward and Cincinnati Colleges. In 1852, he added his name to the merchandising firm of John W. Ellis & Co. So began *McAlpin's* in Cincinnati, Ohio.

McAlpin's moved to its present location on West Fourth Street in 1880.

In 1954, it opened its first suburban unit in the Western Hills section of Cincinnati. This was Cincinnati's first suburban department store. Successful from the start, it was enlarged in 1955, 1957 and in 1966.

The Kenwood Plaza store, at the time one of the largest single floor suburban stores in the entire Midwest, was opened in 1956. Enlargement followed in

1958 and again in 1966.

McAlpin's store in Cherry Grove opened in 1959 with two levels and has been recently completely redecorated.

In 1959, a McAlpin unit was established in suburban Middletown, Ohio, moving from a smaller downtown unit that had been in operation since 1945.

The latest McAlpin suburban store was opened in Lexington, Kentucky in 1967. We have been very pleased with this store especially in view of the fact that it is about 100 miles from Cincinnati.

Plans are underway to develop two or three more sites in the Cincinnati market.

McAlpin's—ever growing, modernizing, innovating—eagerly serving its customers.

McAlpin's Creating the Total Fashion Environment



Retailing in cosmopolitan Cincinnati is fast paced and fashion oriented.

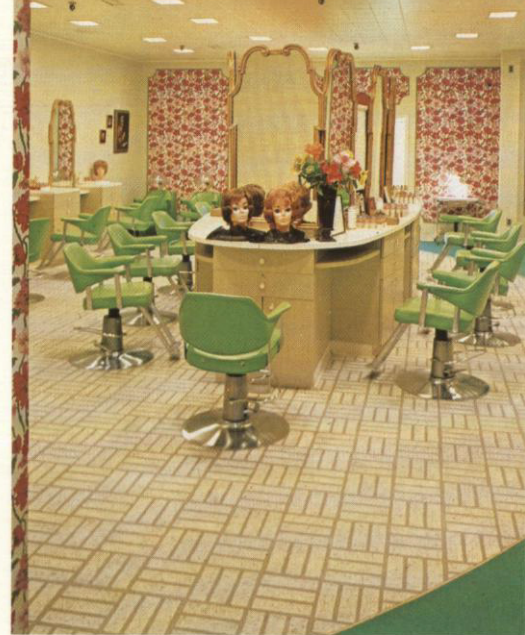
At McAlpin's fashion means people. In this age of computers fashion is no longer just for the moneyed few who patronize the great salons of haute couture. Today fashion is geared to all people and encompasses the total environment of home, career and leisure. Home furnishings are included as well as the more traditional realms of apparel. Selling fashion is the business of the retail department store.

McAlpin's is people oriented. It's made up of people and it sells to people—aiming at the total fashion environment of today's customer. In a city where it must face the formidable competition of three other major department store chains, McAlpin's

has carved a distinct and appealing image to draw people into its stores. Believing that the future lies in promoting fashion, McAlpin's endeavors to reflect this orientation in every department and in all phases of retail operation.

McAlpin's buying offices in Cincinnati and in New York are constantly seeking to detect coming trends and to find the most efficient and least costly way to get these new fashion ideas to our customers. Fashion is a TODAY thing—never standing still, always moving forward into tomorrow, pulsing with life, color and imagination.

This fashion orientation in serving people, in bringing "what's new" is the key factor in determining store hours, credit plans, new store planning, mer-



chandising and merchandise presentation. It is reflected in the offering of quality merchandise of inherent value in every department.

Many home furnishings departments were completely redecorated in the downtown store during the past year. Several other departments in the downtown store are scheduled to be redecorated in the months ahead.

Sterling flatware and fine china lines have been

added to all stores, with a complete Bridal Registry Service.

The tremendous upsurge of interest in men's fashions prompted McAlpin's to add men's clothing departments to all units. Additional space was taken downtown and all the new departments were totally redesigned with a bold use of color, interior design and fixtures.

A fashion innovation at Kenwood Plaza in the



form of the Young Sophisticate Shop has more than doubled its volume in the short time it has been open. Appealing to the very real needs of young married women, ages 20 to 40, with a good selection of sophisticated dresses in the price lines from \$40.00 to \$80.00, it presents a boutique atmosphere with the addition of jewelry, handbags, shoes and other appropriate accessories.

Among the bright new departments at Cherry

Grove are the ladies' shoes salon and the beauty salon.

Two outstandingly different departments at Western Hills are the color filled china, silver and gift department and the swinging little shoe salon for teens.

In view of these and many other achievements, McAlpin's is proud of the fashion-minded, talented individuals who function as a team to make McAlpin's a fast growing department store group—creating a total fashion environment for the people they serve.

MERCANTILE STORES COMPANY, INC.

DEPARTMENT STORE DIVISIONS

Bacon's *Established 1845*

Louisville, Kentucky
H. Marvin Dorethy, President
Downtown Louisville
St. Matthew's
Shively
Jeffersonville, Ind.

Castner-Knott *Established 1898*

Nashville, Tennessee
James C. Lovell, President
Downtown Nashville
Green Hills
Donelson
Shelbyville
Harding Mall
Bowling Green, Ky.

Crews-Beggs *Established 1888*

Pueblo, Colorado
Jack Overly, President
Downtown Pueblo

O. J. DeLendrecies

Established 1879

Fargo, North Dakota
Ray Klein, President
Downtown Fargo

Gayfer's *Established 1879*

Mobile, Alabama
Fred J. Bostrom, President
Downtown Mobile
Springdale
Pensacola, Fla.
Tallahassee, Fla.
Edgewater, Miss.

Glass Block *Established 1887*

Duluth, Minnesota
Robert W. Tyler, President
Downtown Duluth

Hennessy's *Established 1885*

Butte, Montana
Milo D. Skordal, President
Downtown Butte
Helena

Jones *Established 1887*

Kansas City, Missouri
Ronald W. Ferguson, President
Downtown Kansas City
Blue Ridge
Independence
Prairie Village, Kans.
Pittsburg, Kans.
Overland Park, Kans.

Joslin's *Established 1873*

Denver, Colorado
Donald R. Chabot, President
Downtown Denver
Englewood
Lakewood
Greeley
Boulder
Aurora
Villa Italia

Lazarus *Established 1889*
Wilkes-Barre, Pennsylvania
Russell W. Lackie, President
Downtown Wilkes-Barre

Lion *Established 1857*
Toledo, Ohio
Leon F. Winbigler, President
Downtown Toledo
Westgate

McAlpin's *Established 1852*
Cincinnati, Ohio
William G. Stubenvoll, President
Downtown Cincinnati
Kenwood
Western Hills
Cherry Grove
Middletown
Lexington, Ky.

Montgomery Fair *Established 1868*
Montgomery, Alabama
Stephen E. Maxwell, President
Suburban Montgomery
Eastbrook
Opelika
Tuscaloosa

Peoples *Established 1888*
Tacoma, Washington
Henry W. Powell, President
Downtown Tacoma
Yakima
Lakewood
Port Angeles
Wenatchee
Olympia (Lacey)

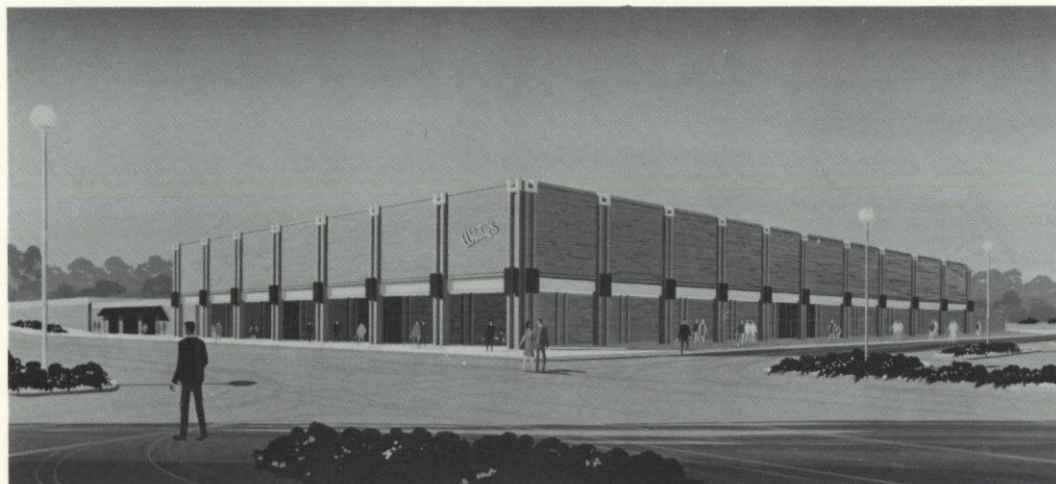
The Right House *Established 1843*
Hamilton, Ontario, Canada
John R. Barrett, President
Downtown Hamilton
Brantford
Galt
St. Catharines

Root's *Established 1856*
Terre Haute, Indiana
Frank C. Schrohe, President
Downtown Terre-Haute
Sullivan
Robinson, Ill.

J. B. White *Established 1874*
Augusta, Georgia
Paul A. Martsolf, President
Downtown Augusta
National Hills
Aiken, S. C.

J. B. White *Established 1874*
Columbia, South Carolina
Thomas E. Hale, President
Richland Mall
Dutch Square

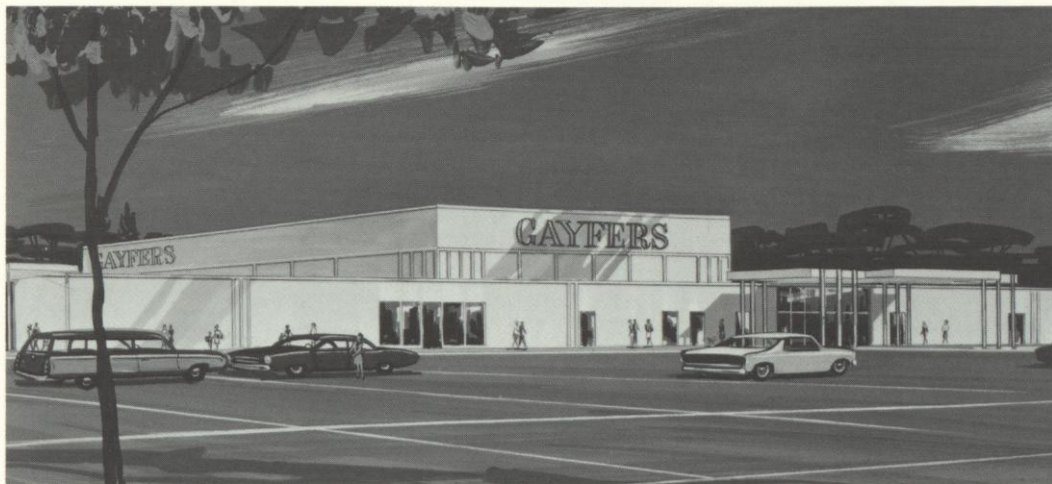
1970's New Stores



White's, Columbia, S. C., opened February 26, 1970



Gayfer's, Tallahassee, Fla., opened March 26, 1970



Gayfer's, Jackson, Miss.



Root's, Terre Haute, Ind.

Represented in the markets by:

MERCANTILE STORES COMPANY, INC. (N. Y.)
128 W. 31st Street
New York, N. Y. 10001
Cable Address: Merstore

Stock Transfer Agent:

CHEMICAL BANK
20 Pine Street
New York, N. Y. 10015

Registrar of Stock:

FIRST NATIONAL CITY BANK
399 Park Avenue
New York, N. Y. 10022



KENWOOD PLAZA



CHERRY GROVE



WESTERN HILLS



DOWNTOWN



LEXINGTON



MIDDLETOWN

McAlpin's . . . SERVING GREATER CINCINNATI